

Message Text

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15

ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 DRC-01 ACDA-19 CIAE-00 INR-10

L-03 NSAE-00 NSC-10 RSC-01 SCI-06 SCEM-02 DODE-00

PM-07 H-03 PA-04 PRS-01 SPC-03 SS-20 USIA-15 EB-11

COME-00 OMB-01 TRSE-00 /157 W

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R 071724Z DEC 73

FM USMISSION EC BRUSSELS

TO AMEMBASSY PARIS

INFO SECSTATE WASHDC 6130

AMEMBASSY BONN

AMEMBASSY BERN

AMEMBASSY BRUSSELS UNN

AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY MOSCOW

AMEMBASSY THE HAGUE

AMEMBASSY STOCKHOLM

USMISSION IAEA VIENNA

AEC GERMANTOWN 1009

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AEC PASS G. QUINN, AGMP; A. FRIEDMAN, DIP.

E.O.11652: N/A

TAGS: TECH

SUBJECT: URANIUM ENRICHMENT

REF: PARIS 31275

1. THE DECEMBER 31, 1973 USAEC DEADLINE IS UNNECESSARILY AND
INCORRECTLY BEING INTRODUCED INTO THE QUESTION OF POSSIBLE EXCHANGE
OF DIFFUSION TECHNOLOGY WITH EURODIF OR OPEN. THIS DEADLINE DATE
IN THE USAEC ENRICHMENT CONTRACT PROCEDURES ANNOUNCED EARLIER
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THIS YEAR REQUIRES ONLY THOSE CUSTOMERS NEEDING MATERIAL PRIOR

TO JULY 1978 TO SIGN CONTRACTS BY DECEMBER 31, 1973. THIS WAS DESIGNED TO ASSURE THAT ANY CUSTOMER (FOREIGN OR DOMESTIC) THAT WAS ALREADY WELL ALONG TOWARDS COMPLETION OF A NUCLEAR POWER PLANT AND UNABLE TO PROVIDE THE 8 YEARS NOTICE REQUIRED IN ALL FUTURE ENRICHMENT CONTRACTS WITH THE USAEC WOULD HAVE A PRIORITY OPPORTUNITY TO OBTAIN HIS ENRICHED MATERIAL FROM THE US.

2. THE PROPOSED EURODIF PLANT WILL NOT BE IN OPERATION BY JULY 1978 WHETHER US TECHNOLOGY IS INVOLVED OR NOT. EVEN WITH PREPRODUCTION FROM PIERRELATTE OR OTHER RESERVES POSSIBLY AVAILABLE THE EUROPEAN UTILITY CUSTOMER IS FACED WITH A DECISION WHETHER TO PLACE HIS ORDER WITH THE USAEC AND BE CERTAIN OF THE FUEL BEING AVAILABLE ON SCHEDULE OR TO TAKE THE RISK OF THE FUEL BEING AVAILABLE FROM RESERVES PLUS SCHEDULED FUTURE PRODUCTION FROM A PLANT YET TO BE CONSTRUCTED.

3. IF A EUROPEAN UTILITY ELECTS TO SIGN A CONTRACT WITH THE USAEC, IT INVOLVES A 10 YEAR COMMITMENT FOR ESSENTIALLY ALL OF THE REQUIREMENTS FOR THAT PARTICULAR REACTOR EFFECTIVE WITH THE DATE OF DELIVERY OF THE FIRST MATERIAL. THIS REQUIREMENT WAS INSTITUTED BY THE USAEC IN ORDER TO ASSURE SUFFICIENT DEMAND ON ITS PRESENT FACILITIES AS WELL AS NEW PLANT FACILITIES TO JUSTIFY THE VERY LARGE CAPITAL INVESTMENT. IT SHOULD BE RECOGNIZED THAT THE PRESENT PLANT CAPACITY IS BEING EXPANDED AT THE COST TO THE US TAX PAYER OF \$1 BILLION IN ORDER TO SATISFY PROJECTED DEMANDS, AND WITHOUT THIS EXPANSION, CONTRACTS RELATED TO THE DECEMBER 31, 1973 DEADLINE COULD NOT EVEN BE SIGNED.

4. IT IS OBVIOUS THAT THE EURODIF BACKERS WOULD PREFER TO AVOID HAVING ITS POTENTIAL CUSTOMERS SIGN 10 YEAR CONTRACTS WITH THE USAEC AS THIS WOULD ELIMINATE POSSIBLE CUSTOMERS DURING THE 1980'S WHEN THEIR PLANT IS SCHEDULED TO BE AVAILABLE. HOWEVER, THE UTILITIES CERTAINLY UNDERSTAND THAT EURODIF IS ALSO SEEKING ASSURANCES OF DEMAND TO JUSTIFY CONSTRUCTION OF THEIR PLANT, ESSENTIALLY IDENTICAL AS TO LONG-TERM GUARANTEES AS THAT REQUIRED BY THE USAEC.

5. THE ISSUE PRESENTED BY THE PRESENT DISCUSSION ON POSSIBLE USE OF US DIFFUSION TECHNOLOGY IN A EUROPEAN PLANT, EVEN IF LIMITED OFFICIAL USE

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THERE IS SOME US INDUSTRIAL INVOLVEMENT AND INVESTMENT, IS REALLY WHETHER EUROPE ACCEPTS THE FINANCIAL BURDEN OF ESTABLISHING ITS OWN ENRICHMENT CAPACITY WITH POSSIBLY SOME INVENTORY BUILD UP OR WHETHER THE USAEC WILL BE REQUIRED TO ASSUME THAT BURDEN WHILE PHASING IN ITS NEW PLANT COMMITMENTS THAT WILL BE REQUIRED TO SATISFY DOMESTIC AS WELL AS SOME FOREIGN REQUIREMENTS.

6. IN LIGHT OF THE ABOVE PICTURE THIS POST SEES NO BASIS FOR THE DECEMBER 31, 1973 DEADLINE BEING INTRODUCED INTO THIS ASPECT OF THE PRESENT DISCUSSION. AS A FURTHER COMMENT, WE SEE NO REASON WHY THE US SHOULD AGREE TO SIGN CONTRACTS NOW FOR DELIVERY OF ENRICHED URANIUM TO EUROPEAN UTILITIES AND THEN PERMIT TERMINATION OF THESE CONTRACTS AT THE CONVENIENCE OF THE EUROPEAN UTILITY TO ORDER HIS MATERIAL FROM EURODIF OR ANY OTHER EUROPEAN SUPPLIER WHEN ANOTHER OPTION BECOMES

AVAILABLE.

7. IT IS CERTAINLY NOT SOUND BUSINESS PRACTICE TO SUGGEST THAT EUROPEAN UTILITIES BE PERMITTED TO SIGN CONTRACTS WITH THE USAEC FOR A PERIOD ONLY LONG ENOUGH TO ASSURE THE SUPPLY OF ENRICHED URANIUM PENDING COMPLETION AND FULL OPERATION OF THE EURODIF PLANT. ANOTHER FACTOR BEING OVERLOOKED IS THAT MANY MORE NEW NUCLEAR POWER STATIONS WILL BE COMMITTED BY EUROPEAN UTILITIES AND EURODIF COULD COUNT ON A LIONS SHARE OF THIS MARKET AS THEIR PROPOSED DIFFUSION PLANT IS FURTHER ALONG IN THE PLANNING AND CONSTRUCTION STAGE.

8. THE ABOVE REVIEW WAS MADE WITHOUT ANY REFERENCE TO URENCO. IT IS OUR UNDERSTANDING THAT URENCO IS PLANNING ON ESTABLISHING AN ENRICHMENT CAPACITY BASED ON CENTRIFUGE TECHNOLOGY AS FIRM ORDERS ARE PLACED AND AS REQUIREMENTS DICTATE. THIS APPEARS CONSISTENT WITH PLANS OF THE USAEC AND FURTHER SUPPORTS THE CONCLUSION THAT NO SPECIFIC ARRANGEMENT IS NECESSARY OR JUSTIFIED IN CONNECTION WITH EURODIF OR OPEN INITIATIVES.

9. ON AN ENTIRELY SEPERATE BASIS THIS POST FAVORS A TWO MONTHS DEFERRAL IN THE DECEMBER 31, 1973 DEADLINE. THIS IS PURELY FOR ADMINISTRATIVE REASONS AS IT DOES NOT APPEAR LIKELY NOR POSSIBLE THAT THE PAPER WORK WILL BE COMPLETED LIMITED OFFICIAL USE

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BEFORE THE END OF THE YEAR TO FORMALLY EXECUTE THE CONTRACTS BY THE DEADLINE DATE (SEE EC BRUSSELS 7024).

10. RECOGNIZING THAT A STUDY MAY TAKE A LITTLE TIME WE SEE NO OTHER WAY TO DETERMINE THE MOST ADVANTAGES US POLICY. CERTAIN CONCLUSIONS REACHED IN RECENT MESSAGES FROM OTHER EMBASSIES MAY PROVE SUPPORTABLE BY ANALYSIS BUT WE HAVEN'T YET SEEN THE ANALYSIS. HARTMAN

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